

## Oil and Gas NSPS (i.e. Methane Rule)

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- In 2012, EPA set a new source performance standard (NSPS) for natural gas wells that are hydraulically fractured. These standards controlled the emission of volatile organic compounds (VOCs) emitted during the production and processing phases.
- In May 2016, EPA expanded the oil and gas requirements setting up a new NSPS to separately control GHGs, which is often referred to as the “methane rule” or “OOOOa”. This action expanded the scope of federal authority beyond production and processing to transmission and storage.
- In early 2017, EPA initiated a reconsideration and review of the 2016 rule, which has been divided into two packages: a technical package and policy package.
- *Technical Package*: In September 2018, EPA proposed targeted improvements to the 2016 rule for the oil and gas industry that streamline implementation, reduce duplicative EPA and state requirements, and significantly decrease unnecessary burdens on domestic energy producers.
  - EPA intends to reconsider certain technical aspects of the fugitive emissions requirements, including monitoring frequency, low production wells, and incorporating emerging technologies and state programs in the alternative means of emissions limitations.
  - EPA also intends to reconsider pneumatic pump standards at well sites and certification requirements of control devices.
  - This technical package is expected to save up to approximately \$484 million in regulatory costs from 2019 – 2025 or \$75 million annually.
- *Policy Package*: EPA is drafting a policy proposal assessing whether it makes sense to separately regulate methane when control is already effectively achieved in the original OOOO (VOCs only) standard.
  - Further, the industry has undertaken a sophisticated voluntary approach to controlling methane throughout its chain of operation.
  - EPA will also assess whether the entire oil and gas sector should be regulated as one source given significant differences between production/processing and storage/distribution or whether those should be split into separate sources.
  - If the source was split, it is not clear that the relative GHG emissions would be of a high enough threshold to trigger the “significant contribution” criteria that is the statutory prerequisite to setting a performance standard for a covered pollutant under Title I of the Clean Air Act.

## **Rules Related to the Oil and Gas Sector**

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1. **Withdrawal of 2016 Information Request for the Oil and Gas Industry.** March 2017, withdrew the 2016 information collection request (ICR) relieving over 15,000 owners and operators in the oil and gas industry of this unnecessary and costly reporting burden.
2. **Targeted Improvements to NSPS for Oil and Gas (i.e. Technical Package):** September 2018, proposed targeted improvements package to streamline implementation of Methane Rule, reduce duplicative requirements, and decrease unnecessary burdens saving the oil and gas industry up to \$75 million a year, or a total of \$484 million for the 2019-2025 period.
3. **Compliance Relief from NSPS for Oil and Gas (i.e. Fugitive Emission Amendments):** March 2018, finalized amendments to Methane Rule to address unworkable requirements related to the Alaska Northern Slope and timing of repairs.
4. **Proposed Repeal of Control Technique Guidelines (CTG):** March 2018, proposed withdrawal of the 2016 Control Techniques Guidelines saving up to \$49 million a year or a total of \$599 million from 2021 through 2035
5. **NESHAP Reconsideration:** October 2017, granted reconsideration of several issues raised by oil and gas industry related to the 2012 Oil and Gas NESHAP (National Emission Standard for Hazardous Air Pollutants) final rule.
6. **Proposed Permit Streamlining Amendments to Indian Country FIP:** April 2018, proposed amendments to the 2016 Indian Country FIP for Uintah and Ouray Indian Reservations that limits emissions of harmful air pollutants while preserving important, streamlined permitting processes.

## **RFS: DRAFT Final 2019 Renewable Volume Obligations (RVOs)**

**Proposed 2019 Renewable Volume Obligations:** On June 26, 2018, EPA issued a proposed rule under the Renewable Fuel Standards (RFS) program that would set the minimum amount of renewable fuels that must be supplied to the market in calendar year 2019, as well as the biomass based diesel volume standard for calendar year 2020. Below are the proposed and current draft final RVOs:

Draft Final Volumes (Billion Gallons)

	2018	2019 (Statutory)	2019 (Proposed)	2019 (Draft Final)	2020 (Draft Final)
Cellulosic	0.29	8.50	<b>0.38</b>	<b>0.42</b>	N/A
BBD	2.10	≥1.00	<b>N/A</b>	<b>2.10<sup>a</sup></b>	2.43 <sup>b</sup>
Advanced	4.29	13.00	<b>4.88</b>	<b>4.92</b>	N/A
Conventional	15.00	15.00	<b>15.00</b>	<b>15.00</b>	N/A
Total	19.29	28.00	<b>19.88</b>	<b>19.92</b>	N/A

<sup>a</sup>The 2019 BBD volume was established in the 2018 annual rule

<sup>b</sup>We proposed a BBD volume of 2.43 billion gallons for 2020 in the 2019 annual rule NPRM

Key elements of the proposal include:

- Conventional” renewable fuel volumes, primarily met by corn ethanol, would be maintained at the implied 15-billion gallon target set by Congress for 2019.
  - The advanced biofuel standard for 2019 would be increased by almost 600 million gallons over the 2018 standard.
  - The cellulosic biofuel standard for 2019 would be increased by almost 100 million gallons over the 2018 standard.
  - The biomass-based diesel standard for 2020 would be increased by 330 million gallons as compared to the standard for 2019.
- EPA held a public hearing on the proposed rule in Ypsilanti, MI on July 18, 2018. The public comment period remained open through August 17, 2018.
  - EPA has worked hard to return the yearly volume setting process to regular order. The previous administration regularly missed the November 30<sup>th</sup> statutory deadline which created unnecessary uncertainty for program participants.
  - EPA plans to send the draft final rule to OMB by the end of this week, which puts us clearly on track to meet the statutory deadline

## **RFS: President Trump's E15/RIN Market Reform Announcement**

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**Background:** On October 9, President Trump directed EPA to undertake a single Clean Air Act rulemaking that would accomplish two objectives. First, the rule would modify EPA regulations to allow gasoline blended with up to 15 percent ethanol (E15) to take advantage of the 1-psi Reid Vapor Pressure (RVP) waiver that currently applies to E10 during the summer months. Second, the rule would change certain elements of the renewable identification number (RIN) compliance system under the RFS program, in order to improve how the RIN market functions.

### **General Talking Points:**

- During his campaign, President Trump promised to support the RFS. He is delivering on that promise.
- The President is providing clear policy direction that will expand opportunities for our nation's farmers, provide certainty to our refiners, and bolster the United States' role as an energy powerhouse.
- The President's directive will allow for the sale of E15 year-round and stabilize the market by taking actions to limit price manipulation.
- Potential RIN market reform ideas include, but are not limited to the following:
  - Allow only obligated parties, i.e. refiners or importers, to purchase separated RINs;
  - Require public disclosure of RIN holdings by an individual in any biofuels category that exceed specific limits;
  - Limit the length of time a non-obligated party can hold RINs; and
  - Prove compliance obligations on a more frequent basis, such as quarterly reporting.
- The agency is not limited to considering only these market reform actions and will undertake a thorough analysis to determine which of the potential market reform proposals will be the most effective.
- The agency has an existing Memorandum of Understanding (MOU) with the Commodity Futures Trading Commission (CFTC) and will work with that agency to assess the best approach to improving the RIN market.
- All of these actions – RVP Parity and RIN market stabilization - will be achieved through a notice and comment rulemaking. EPA plans to issue a proposed rule in the first quarter of 2019 followed by a 45-day comment period and will hold at least one public hearing.
- EPA will implement the President's directive as quickly as possible.
- I appreciate the partnership I've had with Secretary Perdue and USDA, as well as Secretary Perry and DOE, and we will continue to work closely moving forward.